

I have reviewed the petition, the supporting testimony, and accompanying documents. I conclude that approval of Green Mountain Power's petition, pursuant to 30 V.S.A. § 108, is appropriate and that such approval may occur without hearing. Based upon the evidence of record and the testimony and exhibits presented in the Docket, I hereby report the following findings and conclusions to the Board in accordance with 30 V.S.A. § 8.

## **II. FINDINGS OF FACT**

1. The Company is a company as defined by 30 V.S.A. § 201, and is subject to the jurisdiction of the Board pursuant to 30 V.S.A. § 203. Green Mountain Power seeks Board approval to issue up to 350,000 shares of Common Stock to fund the Plan pursuant to 30 V.S.A. § 108. Pet. at 3, 6-7; Powell pf. at 3.
2. On February 9, 2004, the Company's Board of Directors adopted the Plan, subject to the approval of the Company's shareholders and the Board. Subsequently, on May 20, 2004, the Company's shareholders approved the adoption of the Plan. Powell pf. at 4.
3. On May 20, 2004, the Company's Board of Directors amended § 4(a) of the plan to reduce the number of authorized shares available for issuance thereunder from 350,000 to 225,000 shares. Company's Letter dated June 3, 2004.
4. The Plan provides for the grant of stock-based compensation awards, including common stock awards, restricted stock units, stock options, stock appreciation rights, other stock-based awards and performance awards to eligible participants, including employees, officers, directors providing services to Green Mountain Power. Pet. at 3; Pet. Appendix A.
5. The purpose of the Plan is to continue to implement the Company's philosophy to align the interests of employees and directors with the interests of its customers and shareholders by tying a portion of their compensation to the Company's long-term performance. Pet. at 3; Pet. Appendix A at A-1; Powell pf. at 5.
6. The Company intends that the Plan will promote the interests of the Company, its customers and its shareholders by aiding the Company in attracting and retaining employees, officers, consultants, independent contractors and non-employee directors capable of contributing to the future success of the Company. Id.
7. The Company intends to implement the Plan to promote and improve the Company's efforts to provide efficient, highest quality electric energy products and services to its customers at the lowest rates possible. Powell pf. at 4-5.
8. As under the 2000 Plan, all employees and directors, as well as consultants and independent contractors, of the Company and its affiliates are eligible to be selected to receive an award under the 2004 Plan. The Company has made awards under the 2000 Plan for four consecutive years to nearly all its employees, as follows:

2000: Awards were made to 197 employees and eight non-employee directors;

2001: Awards were made to 174 employees;

2002: Awards were made to 167 employees and six non-employee directors; and

2003: Awards were made to 178 employees.

As with the 2000 Plan, the Company presently intends to make awards only to its employees and directors. As of December 31, 2003, there were 196 employees of the Company. Powell pf. at 5. 4-5.

9. All grants of rights with respect to the purchase of the Company's common stock, whether based on a stock option or other award, will be based on a purchase price that shall be not less than 100% of the fair market value of the Company's common stock on the date of such grant. Powell pf. at 3.

10. The Plan provides for issuance of up to 225,000 shares of the Company's Common Stock, subject to adjustment for stock splits, stock dividends, recapitalizations and other similar corporate transactions. Pet. at 3; Powell pf. at 4.

11. The Plan, if approved by the Public Service Board, will be effective as of February 9, 2004, the date on which it was approved by the Company's Board of Directors. Pet. at 4; Pet. Appendix A at A-11.

12. Unless earlier discontinued or terminated by the Company's Board of Directors, no awards may be granted under the Incentive Plan after February 7, 2009. Pet. at 4 and Appendix A.

13. The capitalization of the Company on December 31, 2003, and proforma after the issuance of 225,000 shares, at an assumed price of \$26 per share are as follows:

	December 31, 2003 (000)	Pro forma (000)	Amended Plan (000)
<u>Long-term Debt</u> (Including Current maturities)			
First Mortgage Bonds	\$93,000	\$93,000	\$93,000
<u>Common Stock Equity:</u>			
Common Stock (\$3.33 1/3 par value)	\$19,536	\$20,703	\$20,286
Additional paid-in capital	76,081	84,014	81,181
Retained earnings	22,786	22,786	22,786
Accumulated Other Comprehensive Income	(1,787)	( 1,787)	( 1,787)

Treasury Stock	<u>(16,701)</u>	<u>(16,701)</u>	<u>( 16,701)</u>
Total Common Stock Equity	<u>\$ 99,915</u>	<u>\$109,015</u>	<u>\$105,765</u>
Total Capitalization	<u>\$192,915</u>	<u>\$202,015</u>	<u>\$198,765</u>

Pet. at 4-5; Powell pf. at 9-10.

14. Any proceeds from the sale of the new common stock pursuant to the Plan will be used to fund, in part, the ongoing requirements of the Company for additional long-term capital during the period that options (and other stock purchase rights) issued under the Plan will be exercisable. Pet. at 5; Powell pf. at 10.

15. In connection with such sales, registration statements, as required by regulations of the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, and the regulations promulgated thereunder will be filed with the Securities and Exchange Commission and with the Board. Pet. at 5.

16. The Department determined that the Plan is consistent with the Vermont Twenty-Year Electric Plan provided that: (1) Green Mountain Power is required to maintain a record of all transactions under the proposed Stock Option Plan relating to any employee of an affiliate that is not fully regulated by the Board; (2) Green Mountain Power is required to submit a summary of such transactions during the previous year with each rate case filing and each annual report to the Board and Department, and provide supporting data upon request; and (3) all such transactions shall be accounted for by properly adjusting Green Mountain Power's capital structure in any applicable future Board proceedings. Department's § 202(f) Determination, filed with the Board on May 6, 2004.

17. Green Mountain Power's issuance of stock to fund the Plan will be consistent with the general good of the State of Vermont. Powell pf. at 10.

### **III. CONCLUSION**

On the basis of the evidence of record, I recommend that the Board grant Green Mountain Power's petition for the issuance and sale of up to 225,000 shares of Common Stock pursuant to the amended Plan as described above. I also recommend that this matter be decided without hearing, and that the Board adopt the conditions contained in the Department's § 202(f) Determination. I find that Green Mountain Power's proposed issuance of up to 225,000 shares of Common Stock pursuant to the amended Plan as described above will be consistent with the

general good of the State of Vermont.

Dated at Montpelier, Vermont, this 28th day of June, 2004.

s/Ennis John Gidney

Ennis John Gidney  
Hearing Officer

#### **IV. ORDER**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Findings of Fact and recommendations of the Hearing Officer are adopted.
2. Consent is hereby given pursuant to 30 V.S.A. § 108 for the issuance and sale by Green Mountain Power Corporation, as described in the Findings of Fact, of up to 225,000 shares of its \$3.33 1/3 par value common stock.
3. The issuance and sale by Green Mountain Power Corporation of the aforesaid common stock is consistent with the general good of the state.
4. The issuance and sale by Green Mountain Power Corporation of the aforesaid common stock is consistent with the Vermont Twenty-Year Electric Plan provided that: (1) Green Mountain Power Corporation shall maintain a record of all transactions under the proposed Stock Option Plan relating to any employee of an affiliate that is not fully regulated by the Board; (2) Green Mountain Power Corporation shall submit a summary of such transactions during the previous year with each rate case filing and each annual report to the Board and Department, and provide supporting data upon request; and (3) all such transactions shall be accounted for by properly adjusting Green Mountain Power Corporation's capital structure in any applicable future Board proceedings.
5. This Order does not constitute approval of any particular expenditures that Green Mountain Power Corporation may make with the proceeds from the stock sales authorized herein.

DATED at Montpelier, Vermont this 28th day of June, 2004.

<u>s/Michael H. Dworkin</u>	)	PUBLIC SERVICE
	)	
	)	
<u>s/David C. Coen</u>	)	BOARD
	)	
	)	
<u>s/John D. Burke</u>	)	OF VERMONT

OFFICE OF THE CLERK

FILED: June 28, 2004

ATTEST: s/Susan M. Hudson  
Clerk of the Board

*Notice to Readers: This decision is subject to revision of apparent errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any technical errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)*

*Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.*